



National Security and
International Affairs Division

B-280051

June 5, 1998

The Honorable Floyd D. Spence
Chairman, Committee on National Security
House of Representatives

Subject: Results Act: DOD's Annual Performance Plan for Fiscal Year 1999

Dear Mr. Chairman:

As requested, this report summarizes our observations on the Department of Defense's (DOD) annual performance plan for fiscal year 1999, which was submitted to Congress in February 1998. Our review of DOD's plan was initially based on a January 26, 1998, request by several Members of the House majority leadership for us to review the performance plans of the 24 federal agencies covered by the Chief Financial Officers (CFO) Act.

As you know, the Government Performance and Results Act of 1993, commonly referred to as "GPRA" or "the Results Act," requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

For purposes of our review, the six requirements of the Results Act for the annual performance plans were collapsed into three core questions: (1) To what extent does the agency's performance plan provide a clear picture of intended performance across the agency? (2) How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals? (3) To what extent does the agency's performance plan provide confidence that its performance information will be credible? These questions are contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans,

which we used for our review. These guides integrated criteria from the Results Act, its legislative history, the Office of Management and Budget's (OMB) guidance for developing performance plans (OMB Circular A-11, Part 2), a December 1997 letter to OMB from several congressional leaders, and other OMB and GAO guidance on implementation of the Results Act. We used the criteria and questions contained in the guides to help us determine whether DOD's plan met the requirements of the act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers.

In summary, we found that DOD's performance plan partially depicts intended performance across the agency and partially discusses how its strategies and resources will help achieve its goals, but does not provide sufficient confidence that DOD's performance information will be credible. This is because DOD's plan does not fully explain some key elements to the reader. For example, the plan does not fully explain how DOD intends to measure performance or clearly identify DOD's performance goals and strategies for achieving them. The plan also lacks a discussion of coordination efforts for most crosscutting activities it shares with other agencies and performance goals and measures for these and other functions. Further, DOD's plan does not address known data and system deficiencies, the extent to which these deficiencies will affect performance information, or actions planned to correct them. Finally, DOD placed information relevant to its performance plan in a variety of documents, making it difficult for decisionmakers and stakeholders to determine DOD's strategies, objectives, and measures for any given goal. The plan could be significantly improved by incorporating all the information relevant to achieving DOD's performance goals into one separate performance plan document and by addressing in the plan the other issues we raise. Specific details of these and other observations can be found in enclosure I.

In oral comments on a draft of our observations, DOD officials generally disagreed with our overall assessment of the performance plan. They said that DOD had made a good faith effort to prepare the plan and is making the Results Act part of its decision-making process. They stated that the plan can be improved in certain areas, but believe that DOD's Planning, Programming, and Budgeting System meets the requirements of the Results Act. Consequently, DOD does not believe it needs to prepare a separate performance plan document to meet those requirements. They also disagreed with our suggestions that the plan include benchmarks or baseline data against which to gauge future performance and that the plan include goals and measures for certain crosscutting programs.

We believe that a single document would more clearly communicate DOD's goals and performance measures. Information on DOD's strategies, goals, and

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performance measures is currently scattered throughout the Secretary of Defense's 1998 Annual Report to the President and the Congress and numerous other DOD documents. This presentation makes it difficult for users to fully understand how DOD intends to achieve its goals and measure its performance. Additionally, we continue to believe that including benchmarks or baseline data in the plan would give decisionmakers a better understanding of what to expect in the way of future DOD performance. Finally, we also continue to believe DOD's plan could be improved if it discussed how DOD coordinates crosscutting areas, given the significant number of areas where this occurs.

We did our work from February 1998 through April 1998 in accordance with generally accepted government auditing standards. We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; and the Director, Office of Management and Budget. We will also make copies available to others on request. We are issuing separate reports on our evaluations of each of the other CFO Act agencies' annual performance plans. We are also issuing a separate report summarizing information on our reviews of all 24 CFO Act agencies' annual performance plans.

If you or your staff have any questions about this report, please call me at (202) 512-8412. Major contributors to this report are listed in enclosure II.

Sincerely,



David R. Warren, Director
Defense Management Issues

Enclosures

OBSERVATIONS ON THE DEPARTMENT OF DEFENSE'S
ANNUAL PERFORMANCE PLAN

As requested, we reviewed the Department of Defense's (DOD) performance plan for fiscal year 1999 that was submitted to Congress in February 1998. To do the review, we used the criteria in the Results Act, the Office of Management and Budget's (OMB) guidance on developing performance plans (Circular A-11, part 2 and a January 29, 1998 OMB memorandum to agency heads), our February 1998 guidance for congressional review of agencies' plans (GGD/AIMD 10.1.18), our evaluators' guidance for assessing annual performance plans (GGD 10.1.20), and the December 17, 1997, letter to OMB Director Raines from several congressional leaders. On April 14, 1998, we briefed your staff on our major observations. The key points from that briefing are summarized below.

We recognize that as the largest single department within the federal government, DOD faces a difficult challenge in developing its first Results Act performance plan. We also recognize the difficulties DOD faces in selecting performance goals and measures associated with its unique role of providing national security to include in the plan. However, while generally meeting Results Act requirements, DOD's performance plan only partially meets other guidance for developing a Results Act plan. We identified several areas in DOD's plan that could be improved to better meet Results Act requirements and the other related guidance. Most significantly, DOD's basic plan, which is included as appendix J of the Secretary of Defense's 1998 Annual Report to the President and the Congress, presents only a high-level explanation of intended performance and associated qualitative and quantitative measures. A detailed understanding of the plan requires that users consider the Secretary's Annual Report and other DOD documents. Since we have not yet reviewed all of these documents in detail, we are not certain that in the aggregate they will fully meet users' needs. However, our limited review of the key documents indicates they contain information that is relevant to the performance plan.

Placing information critical to understanding the plan throughout the Secretary's Annual Report and in a variety of other documents makes it difficult for decisionmakers and stakeholders to determine DOD's strategies, objectives, and measures for any given goal. We believe DOD could significantly improve its presentation of the performance plan and make it user friendly by consolidating all information relevant to achieving each of its strategic/performance goals into one document. This is important for decisionmakers and stakeholders outside of DOD but also is particularly important for DOD users, since DOD operates as a decentralized organization.

In addition to the above key observation, our review also noted the following concerns that, if addressed by DOD, would improve the plan.

- DOD's plan does not explain some key elements to the reader. For example, the plan does not clearly identify DOD's performance goals or fully explain how DOD will measure its performance. However, DOD officials told us that the Department's six corporate level or strategic goals are also DOD's performance goals. In brief, these goals are to (1) shape the international environment through engagement programs, (2) shape the international environment and respond to crises by providing the military forces needed, (3) pursue a focused modernization effort that maintains qualitative superiority in key warfighting capabilities, (4) exploit the Revolution in Military Affairs, (5) maintain highly ready joint forces, and (6) reengineer DOD and achieve a 21st century infrastructure by reducing costs while maintaining military capabilities.

Officials further stated that DOD is using an alternative form to express its six performance goals, as agreed with OMB.¹ They also stated that DOD plans to use descriptive assessments to measure performance for each goal. DOD plans for the descriptive assessments for the six goals to include a discussion of (1) numerous qualitative considerations and a number of quantitative indicators mentioned in DOD's basic performance plan; (2) how DOD did on 17 performance measures and associated target performance levels that it included to help assess performance for three of its six performance goals; and, as needed, (3) 246 quantitative measures included in the basic plan, some for each of the six performance goals.

- The plan provides only a partially clear picture of intended performance across DOD. For example, DOD plans to use a descriptive summary that will include qualitative and quantitative factors to help assess whether it meets its goal to reengineer DOD and achieve a 21st century infrastructure by reducing costs while maintaining military capabilities. However, the plan does not include performance measures and associated target levels for performance to help assess whether DOD is successful.

¹The Results Act requires performance goals to be expressed in an objective, quantifiable, and measurable form, unless that is not feasible. In such cases, the Director, OMB, may authorize the use of an alternative form. The act provides two options for the alternative form. They are separate descriptive statements of (1) a minimally effective program and a successful program or (2) such alternative as authorized by the Director, OMB. DOD is using the second alternative form. When an alternative form is used, the act requires performance goals to be expressed with sufficient precision and in such terms that would allow for an accurate, independent determination of whether performance meets the goal as expressed.

- The plan only partially discusses how DOD's strategies and resources will help achieve its goals. For example, the plan is sometimes unclear when presenting a strategy; users, therefore, have to make assumptions about what appear to be primary strategies for achieving goals. Also, the plan generally presents DOD resources on an overall basis instead of goal by goal.
- The plan does not provide sufficient confidence that performance information will be available and credible. For example, it does not state whether data in the systems that will be used for measuring performance have been verified and validated.
- The performance plan, like DOD's strategic plan, lacks an adequate discussion of coordination efforts and performance goals and measures for crosscutting activities.² This makes it difficult to determine the extent to which overlap or redundancies exist among these federal programs.

DOD'S PERFORMANCE PLAN PROVIDES A PARTIAL PICTURE OF INTENDED PERFORMANCE ACROSS THE AGENCY

DOD's basic performance plan, as presented in appendix J of the Secretary's Annual Report to the President and the Congress, provides a high-level picture of DOD's intended performance across the agency, but it lacks detail with regard to specific areas. The basic plan does include a crosswalk to other parts of the Secretary's report and to other DOD documents to make up the entire plan. The plan in its entirety, however, only partially provides a succinct and concrete statement of expected performance for subsequent comparison with actual performance. It also partially links performance goals to DOD's mission, strategic goals, and the program activities in DOD's budget request. However, it does not adequately address the need to coordinate with other agencies having related strategic or performance goals.

Defining Expected Performance

DOD's plan only partially provides a succinct and concrete statement of expected performance for subsequent comparison with actual performance. For example, DOD includes a high-level description of the forces that it will provide to shape the international environment and deter aggression and to use in conflicts, if required, as well as the level of unit readiness that it plans to maintain to help ensure the

²DOD's Draft Strategic Plan (GAO/NSIAD-97-219R, Aug. 5, 1997) and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

credibility and capability of U.S. forces. However, there are few specifics beyond these general statements. Not providing a succinct and concrete statement of expected performance will increase the difficulty DOD faces in measuring outcomes for its performance goals. In this regard, DOD is using an alternative method for assessing performance that consists of using both qualitative and quantitative factors to assess whether performance goals are achieved.

Where DOD includes qualitative factors to help make the assessments, the plan generally lacks benchmarks against which to measure progress toward the goal. For example, the plan states that one factor DOD will consider in assessing its performance in shaping the international environment is significant combined exercises held during the year; however, our review has not identified any benchmark data in the plan on the number and results of significant combined exercises held during past years. Also, where the plan includes performance measures and associated target performance levels to help make the assessments, the measures largely focus on outputs that would contribute to achieving goals rather than expected outcomes. Those output measures reflect such things as the current force structure or the amount of money DOD intends to spend to achieve its goals. There are some additional performance measures DOD could include to better assess its performance. Further, some additional goals and measures could be included to assess progress in overcoming major management problems. Following are some examples that illustrate opportunities for improving performance plan goals and assessment measures.

- DOD's plan included some performance measures to help assess its goal to shape the international environment and respond to crises. Among them are measures that specify the number and types of forces that each service will maintain throughout the world. These measures are outputs that would contribute to achieving that goal. However, our review has not identified any measures or benchmarks in the plan to judge the effectiveness of U.S. forces over time in shaping the international environment.
- DOD's plan did not include performance measures and associated target performance levels to help assess progress toward its goal of reengineering DOD and achieving a 21st century infrastructure. DOD plans to use a descriptive summary in assessing its performance and the plan notes that total dollars spent on infrastructure and infrastructure costs as a percentage of total DOD spending are metrics DOD will use in the summary to help gauge success in infrastructure reduction. DOD could improve its plan by using these metrics as performance measures and establishing associated target performance levels.
- For its goal of pursuing a focused modernization effort, DOD included two performance measures to help assess performance—to maintain funding in science

and technology at the fiscal year 1999 President's Budget level, adjusted for inflation, and to budget \$48.7 billion for procurement in fiscal year 1999 toward a target procurement budget of \$60 billion in fiscal year 2001. DOD's plan states that these levels of spending are not ends in themselves but rather estimates of the levels of spending needed to achieve the goal of pursuing a focused modernization effort. Because of that, the plan also includes qualitative factors and other quantitative factors, such as the degree of progress achieved toward defense technology objectives, the number of advanced technology demonstrations initiated and completed, and whether there are appropriate hedges against emerging technologies. However, our review has not identified any benchmarks or baselines in the plan against which to judge performance on the qualitative and other quantitative factors.

- DOD's plan includes some performance measures with associated target performance levels to help assess whether it meets the goal of maintaining highly ready joint forces. These performance measures, such as the percentage of (1) units meeting their readiness goals, (2) recruits from the top half of scores on the Armed Forces Qualifications Test, and (3) enlisted first-term retention, can help DOD assess whether it meets the goal. These performance measures alone, however, are not enough to fully assess joint readiness—the combatant commander's ability to integrate and synchronize forces to execute missions. The plan states that DOD's readiness system is composed of tactical-level information provided by service-specific readiness systems and the Global Status of Resources and Training System, combined with operational level analysis from the Commanders' in Chief and other combat support agencies through DOD's Joint Monthly Readiness Review. However, it does not inform congressional decisionmakers and other stakeholders how this information will be used in DOD's assessment of whether it achieves its goal of maintaining highly ready joint forces. DOD could improve its plan by discussing how the readiness system information will be used in assessing performance, including specifying some specific factors related to joint readiness to be used in helping assess whether it meets the goal. One example of the types of specific factors from the joint readiness review process that DOD could consider is the combatant commands regular assessments of joint personnel; intelligence, surveillance, and reconnaissance; special operations; mobility; logistics and sustainment; infrastructure; command, control, communications, and computers; and joint headquarters capability.
- DOD's plan included considerable discussion of the strategies it plans to use to overcome previously reported major management problems that are likely to affect achievement of its goals, including weapon systems acquisition, inventory management, financial management, information management and technology, and

contract management.³ However, although DOD established a number of departmental goals and measures to improve these areas, none of them were identified as reportable goals and measures under the act, as required by OMB guidance on developing performance plans. Thus, decisionmakers and other stakeholders will have difficulty determining the degree to which DOD makes improvements in these areas. Including reportable performance goals and measures would improve the plan.

Connecting Mission, Goals, and Activities

DOD's performance plan goals are partially linked to its mission, strategic goals, and the program activities in its budget request. Specifically, DOD's strategic goals directly link to its mission of supporting and defending the Constitution, providing for the common defense of the United States, its citizens and its allies, and protecting and advancing U.S. interests around the world. DOD's strategic goals are its primary performance plan goals. DOD's plan, however, does not establish a link between its strategic/performance goals and the program activities in the President's budget submission for fiscal year 1999.

The Results Act requires agencies to express performance goals for each program activity in an objective, quantifiable, and measurable form unless the Director, OMB, agrees that it is infeasible or impractical to do so for a specific program activity. In that case, the act and OMB Circular A-11 require an agency's performance plan, with the Director's approval, to include an alternative expression of the performance goal or to state why it is infeasible or impractical to establish a performance goal in any form for the program activity. DOD obtained OMB approval to exempt a number of relatively small program activities, such as the U.S. Court of Appeals for the Armed Forces and the Wildlife Conservation Program, under this provision. DOD did not, however, explain why it is infeasible or impractical to establish performance goals for these activities.

DOD officials said that the program activities not exempted by OMB are consolidated under its six strategic/performance goals.⁴ In reviewing DOD's performance plan, however, we could not determine whether all program activities were covered because DOD did not provide a crosswalk to show which program activities were related to each performance goal. Although not identified by DOD as part of the plan, the appendix to the President's budget submission for fiscal year 1999 includes narrative

³High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

⁴The Results Act allows agencies flexibility to consolidate activities so that a single performance goal may cover many program activities.

that links one or more of DOD's strategic/performance goals to the resources discussed in each major title of the budget request. Each title, such as "Operation and Maintenance," however, includes many budget accounts, many of which have multiple program activities.

Recognizing Crosscutting Efforts

DOD's performance plan does not adequately address the need to coordinate with other agencies having related strategic or performance goals. The plan identifies a number of agencies with which DOD shares crosscutting activities or functions and mentions some of these functions. However, it does not discuss coordination efforts or performance goals and measures for these functions. Except for those functions that fall within the category of research and development, such as certain medical research and the dual-use research and development program, DOD does not consider the crosscutting functions it shares with other agencies to be duplicative or overlapping. The plan states that some DOD activities complement, but are conducted separately from, comparable functions in other agencies. However, the plan could be improved by adding additional information. For example:

- A key area where DOD should have explained coordination efforts, because it is essential to the accomplishment of its mission, is in the development and implementation of national security strategy and the shaping of the international environment. In our report on DOD's strategic plan, we pointed out that DOD, State, and other agencies cooperate in a number of programs and activities aimed at helping to shape the international environment—the primary focus of one and a major focus of another of DOD's corporate-level goals. However, DOD's plan does not adequately discuss coordination for these crosscutting goals or establish performance goals or measures.
- Another area where DOD should have explained coordination efforts, because it plays a key supporting role to the lead federal agencies and is also responsible for protecting its personnel and facilities worldwide, is combating terrorism. We have noted that DOD budgeted about \$3.7 billion in fiscal year 1997, or about 55 percent of the estimated spending in this area.⁵ DOD did not, however, develop performance goals or measures for this crosscutting activity, nor did it discuss coordination efforts in its performance plan.

⁵Combating Terrorism: Spending on Governmentwide Programs Requires Better Management and Coordination (GAO/NSIAD-98-39, Dec. 1, 1997).

- Among additional areas where DOD should have discussed coordination are counternarcotics activities, drug intelligence data, chemical weapons destruction, background investigations, and telemedicine.

DOD'S PERFORMANCE PLAN PARTIALLY DISCUSSES HOW ITS STRATEGIES AND RESOURCES WILL HELP ACHIEVE ITS GOALS

DOD's performance plan partially discusses how its strategies and resources will help achieve its goals. The Results Act and OMB Circular A-11 require an agency to briefly describe the strategies and resources it will use to accomplish performance goals. However, strategy discussions in DOD's plan often are not identified as such and discussions that might be related to strategies for a goal are usually included in several chapters in the Secretary's Annual Report. Based on our review of the plan and discussions with DOD officials, we identified DOD's primary strategies. However, we cannot be certain we have correctly identified them for all six performance goals. Also, in some instances, DOD's plan does not discuss factors that might help mitigate known risks to implementing a strategy. Further, although our guidance for congressional review notes that performance plans should indicate how external factors will be mitigated, we found at least one instance where the plan notes an external factor that could negatively influence DOD's ability to achieve one of its performance goals, but does not include a strategy for mitigating the factor. Additionally, DOD's plan primarily discusses the financial, human, and other resources it will use to achieve its goals on an overall basis, rather than including a comprehensive goal-by-goal discussion. Below are some examples that illustrate opportunities to improve the plan's strategy discussions.

- DOD's basic plan needs to clearly identify its strategies for achieving its performance goals. For example, DOD's primary strategy for its goal to shape the international environment and respond to crises is not identified as such in the basic plan. However, DOD's primary strategy to achieve this goal is embedded within the text DOD used to express the performance goal. The primary strategy is to provide appropriately sized, positioned, and mobile forces to support U.S. regional security interests, deter hostilities, and respond to crises. DOD's plan establishes performance measures with associated target performance levels for the level of overseas forces presence, the mobility lift capacity, and the force structure it believes are necessary to carry out this strategy. The plan also explains how DOD's strategy will contribute to shaping the international environment and responding to crises.
- DOD's plan either does not discuss or does not fully discuss some known risks associated with DOD's strategies for some of its performance goals. For example, for the readiness goal, DOD's plan does not discuss a known risk to one of its

strategies—recruiting and retaining well-qualified personnel. Specifically, although the plan establishes a performance measure and associated target performance level for first-term retention, it does not acknowledge the problem of high early attrition rates in recruits' first terms. Neither does it address strategies to reduce this rate, such as strengthening medical screening systems for applicants and having the services adopt delayed entry programs similar to a proposed Army program.⁶

- DOD's performance plan notes an external factor that could influence achieving the readiness performance goal. This is that contingency operations are usually unplanned and DOD must fund them by reallocating other funds, which it can often only get from its accounts that heavily support readiness. If it is not provided timely funding to cover contingency operations when they arise, especially if they occur late in the fiscal year, DOD will have to use training and maintenance funds for the contingency. The plan notes that missed training and delayed maintenance can degrade readiness rapidly. The plan, however, does not discuss a strategy for funding these unbudgeted operations without negatively impacting readiness.

Lastly, in discussing the resources it will use to achieve its performance goals, DOD's plan primarily discusses financial, human, and other resources on an overall basis, rather than including a comprehensive goal-by-goal discussion. It does, however, discuss some of the resources it will use to achieve certain goals. For example, DOD's plan states that it plans to budget \$48.7 billion for procurement in fiscal year 1999 to help achieve its goal to pursue a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. The plan could be improved by including a crosswalk between specific resources and specific goals.

DOD'S PERFORMANCE PLAN DOES NOT PROVIDE SUFFICIENT CONFIDENCE THAT THE AGENCY'S PERFORMANCE INFORMATION WILL BE CREDIBLE

DOD's performance plan does not provide sufficient confidence that its performance information will be credible. Although the plan identifies some specific measures to consider in assessing DOD's performance, it does not address (1) known data and systems deficiencies, (2) the degree to which these deficiencies affect specific performance information, or (3) planned actions to address these deficiencies. Furthermore, the plan does not identify the extent to which external evaluations, such as audits, will be used to validate findings. To the extent that audits have previously identified data deficiencies, there is no indication of how DOD will address these deficiencies.

⁶Military Attrition: DOD Could Save Millions by Better Screening Enlisted Personnel (GAO/NSIAD-97-39, Jan. 6, 1997).

The Results Act requires that each agency describe the means the agency will use to verify and validate its performance data. In responding to that requirement, DOD's plan states that DOD will obtain data through existing systems and reports, many of which have been used to support DOD's planning, programming, and budgeting systems. The plan further states that the data systems use established and proven methods following generally accepted accounting principles to verify and validate information and that documentation for each data system includes measures for verification and validation.

However, DOD's financial statement audits have identified significant problems with data integrity in DOD financial systems and the underlying logistical, budgetary, and operating systems that support them. Specifically, these audits have disclosed problems with asset visibility—accurate information on the location, movement, status, and identity of equipment and supplies—and logistical systems that may hamper DOD's ability to, for example, achieve (1) 90-percent visibility over materiel and (2) reduced inventories—two quantitative measures DOD plans to consider in assessing its performance. These audits have reviewed information systems that would support achieving those targets, such as the Army's Continuing Balance System-Expanded—which provides worldwide visibility of Army equipment—and found deficiencies that would impede achieving the targets.⁷ Furthermore, the inaccuracy of reported inventory balances, including the physical counts of inventory as well as inventory valuation, makes it difficult to determine whether inventory balances are declining.

The DOD plan acknowledges that resources are limited and operations must be efficient in order to maximize the dollars available to achieve its goals. However, the plan includes few specific measures of efficiency, such as cost. The fact that DOD does not have adequate cost systems may have contributed to a reluctance on DOD's part to identify cost-related efficiency measures. Audits have repeatedly found that DOD cannot adequately measure the cost of its operations and programs.⁸

DOD states that it will use existing data systems and reports, many of which have been used to support DOD's planning, programming, and budgeting systems, and that those systems use established and proven methods following generally accepted accounting principles to verify and validate information. However, these systems are, in many cases, the same ones reviewed as part of the financial statement audits. As noted in our February 1997 high-risk report, neither DOD's nor any major component's system has withstood the rigors of a financial statement audit.

⁷Army Logistics Systems: Opportunities to Improve the Accuracy of the Army's Major Equipment Item System (GAO/AIMD-98-17, Jan. 23, 1997).

⁸High-Risk Series: Defense Financial Management (GAO/HR-97-3, Feb. 1997).

Further, DOD experienced as many as 250,000 hacker attacks in 1995, with over 60 percent of the hackers gaining access.⁹ Yet, DOD's plan does not adequately discuss strategies and plans to deal with the fact that many of its individual computer systems are extremely vulnerable to data loss, unwanted browsing, and denial of access. Finally, the plan does not recognize the dramatic impact the year 2000 problem will likely have on computer operations throughout DOD, including the likely impact on the validity of data from systems used to measure DOD's performance. No strategy for dealing with this is discussed, although we have reported on serious weaknesses in DOD's efforts to address the problem.¹⁰

AGENCY COMMENTS AND OUR EVALUATION

On April 10, 1998, we met with several DOD officials to obtain the agency's comments on a draft of our observations about its performance plan. They said that DOD had made a good faith effort to prepare its Results Act Performance Plan and is making the Results Act part of its decisionmaking process. They also noted that there is room for improving DOD's plan and that DOD is committed to improving its performance plan over time. They stated, however, that DOD's planning and performance assessment system—the Planning, Programming, and Budgeting System (PPBS)—meets the requirements of the Results Act and DOD does not need to prepare a separate set of documents to meet Results Act requirements. They also expressed concern that we emphasized the shortcomings of DOD's Results Act plan and said too little about the plan's positive aspects. Lastly, the officials noted that DOD's performance plan was completed in December 1997 and that a primary guidance for assessing it—the guidance for congressional review—was not published until February 1998.

With regard to specific elements in our draft summary, DOD officials disagreed that information, such as DOD's intended performance and how it will assess its performance, are unclear to plan users, noting that DOD managers understand the plan. They also (1) disagreed with a need to include benchmark or baseline data in a performance plan; (2) disagreed with a need to establish performance measures with associated target levels for performance for the reengineering goal, which they said, if arbitrarily set, could lead to reduced readiness; and (3) said that DOD views a number of areas that others may consider crosscutting as not crosscutting issues at all. For example, in the drug interdiction area, they noted that DOD is given tasks to perform by other involved agencies and essentially acts as an employee in carrying out the

⁹Information Security: Computer Attacks at Department of Defense Pose Increasing Risks (GAO/AIMD-96-84, May 22, 1996).

¹⁰Defense Computers: DFAS Faces Challenges in Solving the Year 2000 Problem (GAO/AIMD-97-117, Aug. 11, 1997).

tasks. In such cases, they noted that DOD develops internal goals and measures for carrying out assigned tasks and does not think there is a need for it to establish Results Act goals and measures for the areas.

Our review was not intended to address PPBS or its quality as a planning and performance assessment system. Rather, our work focused on DOD's Performance Plan. We recognize that DOD has a difficult task in communicating its goals and performance measures and assessment system in a Results Act format. However, we continue to believe it can be done more clearly than the current format and can be made more understandable for both DOD and external users. Additionally, including (1) benchmark data in the plan would be helpful to users, (2) performance measures with associated target performance levels for the reengineering goal would provide a better understanding of DOD's intended progress toward achieving the goal, and (3) more information delineating lines of authority for areas that are not crosscutting and more fully explaining how it coordinates areas, such as shaping the international environment, would improve the plan. Lastly, although the guidance for congressional review was not available while DOD was preparing its performance plan, the Results Act and OMB guidance were available.

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Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
